

will be forwarded to the State Office where they will be retained until approval or rejection of the offer. The use of restrictive notations will be discouraged to the fullest extent possible.

(b) *Finance Office handling.* (1) All payments evidenced by Form FmHA or its successor agency under Public Law 103-354 451-2, "Schedule of Remittances," on Form FmHA or its successor agency under Public Law 103-354 1944-9, "Multiple Family Housing Payment Transmittal," bearing the legend "Compromise Offer—FmHA or its successor agency under Public Law 103-354" or "Adjustment Offer—FmHA or its successor agency under Public Law 103-354," will be held in the Deposits FundAccount by the Finance Office until notification is received from the State Office of the approval or rejection of the offer. In cases of approved offers, remittances will be applied in accordance with established policies, beginning with the oldest loan included in the settlement, except that when the request for settlement includes loans made from different revolving funds the Finance Office will prorate the amount received, on the basis of the total principal balance due the respective revolving funds. Upon notification of a rejection of a debtor's offer and receipt of a request from the State Director for a refund, the Finance Office will refund to the debtor, in care of the employee in charge of the account, the amount held in the Deposits FundAccount representing a rejected compromise or adjustment offer.

(2) When a debtor's adjustment offer is approved, the accounts involved will not be adjusted in the records of the Finance Office until all payments have been made. Form FmHA or its successor agency under Public Law 103-354 1956-1 will be held in a suspense file pending payment of the full amount of the approved offer. The original Form FmHA or its successor agency under Public Law 103-354 1956-1 in approved cases will be retained in the Finance Office.

[56 FR 10147, Mar. 11, 1991, as amended at 58 FR 21345, Apr. 21, 1993]

#### **§§ 1956.86—1956.95 [Reserved]**

#### **§ 1956.96 Delinquent adjustment agreements.**

The employee in charge of the account should notify debtors in advance of the due dates of payments on debt settlement agreements. The employee in charge of the account should also promptly contact debtors who are delinquent on debt settlement payments and find out their reasons for not making payments when due, and their plans for completing their agreements. In instances in which the debtor is delinquent under the terms of the debt settlement and is likely to be financially unable to meet the terms of the debt settlement agreement, FmHA or its successor agency under Public Law 103-354 may cancel the existing agreement and process a different type of settlement more consistent with the debtor's repayment ability, provided the facts in the case justify such action. This settlement will be processed in accordance with the procedure for the new agreement. An extension may be given by FmHA or its successor agency under Public Law 103-354 to extend for 90 days the time for making the payments when the circumstances of the case justify an extension. Extensions for a greater period of time may be made by the State Director upon recommendation of the County Committee (for FP loans) and the employee in charge of the account. A decision not to extend the time for making payments is not appealable. When an adjustment agreement is cancelled, the debtor will be notified of the reasons in writing. The cancellation of an adjustment offer is appealable. If an agreement is cancelled, any payments received shall be retained as payments on the debt owed at the time of the adjustment offer.

[58 FR 21345, Apr. 21, 1993]

#### **§ 1956.97 Disposition of promissory notes.**

(a) Notes evidencing debts settled by completed adjustments, completed compromise with or without signature, or canceled with signature will be returned to the debtor or to the debtor's